

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 AGR-05 PA-01

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 0464

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DEPARTMENT PASS AGRICULTURE AND STR

E.O. 11652: N/A

TAGS: ETRD FR

SUBJECT: FRENCH EXPORTS OF COGNAC TO U.S.

REFS: PARIS TELS 1974 (A) 12664; (B) 13190;
(C) 15174.

1. SUMMARY: GOF HAS REQUESTED A REVIEW OF THE UNDERSTANDING REACHED LAST YEAR CONCERNING THE PRICE BREAK ON COGNAC IMPORTS (TSUS 168.20). GOF BELIEVES BREAK SHOULD BE RAISED TO \$25 IN VIEW OF PRICE INCREASES AND EXCHANGE RATE. GOF ALSO COMPLAINS ABOUT CURRENT U.S. CUSTOMS VALUATION PRACTICES WHICH THEY SAY LEADS TO DUTY OVERCHARGE. DISCUSSIONS PROPOSED FOR WASHINGTON OR PARIS AS WE PREFER. END SUMMARY.

2. EMBOFFS MET JUNE 16 WITH COLLIN, DIRECTOR OF MULTILATERAL ECONOMIC AFFAIRS AT DREE (DIRECTORATE OF EXTERNAL ECONOMIC RELATIONS AT MINISTRY OF ECONOMICS
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AND FINANCE) AT HIS REQUEST TO HEAR GOF DESIRES RE

COGNAC. COLLIN SAID FRENCH COGNAC EXPORTS TO THE U.S. HAVE DECLINED FIFTY PERCENT IN VALUE IN FIRST QUARTER OF 1975 COMPARED WITH 1974. HE INDICATED THIS TRADE IS IMPORTANT TO FRANCE AND IS THE SUBJECT OF SERIOUS ATTENTION IN THE GOVERNMENT AS SHOWN BY MINISTER SEGARD'S LETTER TO THE AMBASSADOR (SEE EMBASSY'S A-270 OF JUNE 16 FOR TEXT) RAISING THE QUESTION IN GENERAL TERMS.

3. COLLIN REFERRED TO THE UNDERSTANDING REACHED LAST JUNE WHEN THE U.S. UNILATERALLY RAISED THE PRICE BREAK FROM \$9 TO \$17 PER GALLON. HE SAID THAT GOF WOULD LIKE US TO REVIEW THIS BREAK AS SOON AS POSSIBLE. HE ATTRIBUTED THE RECENT SHARP DECLINE IN FRENCH EXPORTS TO (A) EXCHANGE RATE CHANGES, AND (B) A RISE IN PRICE DUE TO INFLATION IN FRANCE. HE SAID WE HAD PREVIOUSLY INDICATED A WILLINGNESS TO REVIEW THE PRICE BREAK, TAKING INTO ACCOUNT THE CHANGE IN PRICES. GOF WOULD BE WILLING TO DISCUSS THE PROBLEM IN WASHINGTON IF THAT WOULD BE MORE CONVENIENT.

4. COLLIN ALSO REFERRED TO CLAIMS MADE BY FRENCH EXPORTERS FOR REFUNDS OF WHAT THEY CONSIDERED EXCESSIVE DUTIES LEVIED BY U.S. CUSTOMS FOLLOWING LAST YEAR'S UNDERSTANDING. HE AGREED THIS WAS A SEPARATE ISSUE AND DENIED THAT RECENT ACTIONS BY FRENCH MINISTRY OF AGRICULTURE CONCERNING CANNED FRUIT WAS IN ANY WAY LINKED TO U.S. CUSTOMS PRACTICES ON COGNAC. WE DENIED MAKING ANY SUCH INFERENCES. MINISTER SEGARD'S LETTER REFERRED TO THE CLIMATE IN WHICH DISCUSSIONS WERE TAKING PLACE REGARDING "OTHER AGRICULTURAL PRODUCTS." COLLIN SAID THE GOF WAS NOT LINKING COGNAC WITH ANY SPECIFIC PRODUCTS SUCH AS TURKEY PARTS (WHERE HE NOTED FRANCE COULD NOT BE VERY HELPFUL) OR CANNED FRUIT. HE SAID THAT OBVIOUSLY ANYTHING WE COULD DO ON COGNAC WOULD BE HELPFUL IN REGARD TO THE GENERAL ATMOSPHERE. HE SAID THIS WAS A "NON-LINK LINK."

5. EMBASSY BELIEVES WE ARE OBLIGED TO TAKE ANOTHER LOOK AT THE PRICE BREAK. WE TOLD COLLIN ONLY THAT WE LIMITED OFFICIAL USE

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WOULD REPORT HIS DEMARCHE TO WASHINGTON AND LET HIM KNOW SOONEST OUR OFFICIAL REACTION. EMBASSY WILL COMMENT FURTHER IN SEPARATE CABLE.
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